

Planning by	Reviewed	Performed by	Final review

Client details

Client name: Nketoana Local Municipality
Year end: June 30, 2013



**NKETOANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

General Information

Legal form of entity	Local Municipality Demarcation number:FS193
Nature of business and principal activities	Providing municipal service and maintain the best interests of the local community mainly in the Reitz area.
Mayoral council	M.Molapisi (Mayor) P.Nkomo (Speaker) M.Malindi (Executive Member) M.Mphaka (Executive Member) M. Blignaut (Executive Member) M.Moloedi (Executive Member) Councillors G.Nhlapo P.Mofokeng T.Radebe M.Nakedi M.Mosia M.Semela K..Mokoena N.Shabalala P.Sibeko P.Moshoadiba S.Du Preez S.Henning
Grading of local authority	Medium Capacity Grade 3 in terms of the Remuneration of Public office Bearers Act
Accounting Officer	L.I Mokgatlhe (Municipal Manager)
Chief Finance Officer (CFO)	Fikile Mzizi (Acting Chief Finance Officer)
Registered office	Corner Church and Voortrekker Reitz 9810
Business address	Corner Church and Voortrekker Reitz 9810
Postal address	P.O. Box 26 Reitz 9810
Bankers	ABSA (Primary bank)
Auditors	Auditor General South Africa

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Contents	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 11
Accounting Policies	12 - 42
Notes to the Annual Financial Statements	43 - 86
Appendixes:	
Appendix A: Schedule of External loans	87
Appendix B: Analysis of Property, Plant and Equipment	88
Appendix C: Segmental Statement of Financial Performance	90
Appendix D: Actual versus Budget (Revenue and Expenditure)	92
Appendix E: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	94
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	95
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	97
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	98
Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding	100
Appendix G(5): Budgeted Cash Flows	102

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Index

Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
VAT	Value Added Tax
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MFMG	Municipal Finance Management Grant
LG SETA	Local Government Sector Education Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
ABSA	Amalgamated Bank of South Africa
MSIG	Municipal System Improvement Grant
SARS	South African Revenue Service

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Accounting Officer
L.I Mokgatlhe

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Financial Position

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Inventories	3	301,342	211,506
Receivables from non-exchange transactions	4	9,908,388	6,078,201
VAT receivable	5	3,469,164	3,502,201
Consumer debtors	6	68,842,075	60,045,584
Cash and cash equivalents	7	5,370,681	17,128,369
		87,891,650	86,965,861
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	11,500	11,200
Investment property	9	2,958,485	3,076,742
Property, plant and equipment	10	601,656,647	624,313,570
Intangible assets	11	210,916	717,924
Investments	12	3,878,868	3,828,275
		608,716,416	631,947,711
Non-current assets held for sale and assets of disposal groups	20	2,250,000	2,583,593
Total Assets		698,858,066	721,497,165
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	30,768,909	20,364,854
VAT payable	14	17,740,518	11,516,511
Consumer deposits	15	1,228,563	1,191,285
Unspent conditional grants and receipts	16	5,489,578	5,657,957
current portion of Non-Current borrowings	21	401,550	430,325
		55,629,118	39,160,932
Non-Current Liabilities			
Other financial liabilities	17	12,315,313	13,058,676
Employee benefit obligations	19	6,972,000	6,586,000
Provisions	18	8,099,035	6,289,757
		27,386,348	25,934,433
Total Liabilities		83,015,466	65,095,365
Net Assets		615,842,600	656,401,800
Net Assets			
Accumulated surplus		615,842,600	656,401,800

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Revenue from exchange transactions			
Service charges	24	76,524,578	74,593,511
Rental of facilities and equipment		415,297	323,901
Interest received (trading)		16,416,211	15,529,229
Discount received		-	7,654
Recoveries		-	8,353,558
Other income	27	1,605,841	2,034,288
Interest received - investment	28	1,501,123	962,951
Total revenue from exchange transactions		96,463,050	101,805,092
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	16,194,067	11,008,056
Transfer revenue			
Government grants & subsidies	25	118,237,000	93,689,626
Public contributions and donations	26	2,043,939	10,441,162
Fines		115,585	195,850
Total revenue from non-exchange transactions		136,590,591	115,334,694
Total revenue	22	233,053,641	217,139,786
Expenditure			
Personnel	29	(56,390,155)	(46,578,339)
Remuneration of councillors	30	(5,547,013)	(4,826,985)
Depreciation and amortisation	31	(65,925,543)	(63,963,155)
Impairment loss	20	(333,593)	-
Finance costs	32	(1,990,427)	(1,418,917)
Debt impairment	33	(44,402,410)	(43,155,573)
Bulk purchases	34	(28,834,798)	(17,391,204)
General Expenses	35	(56,311,284)	(33,891,021)
Repairs and maintenance		(8,819,816)	(10,510,882)
Total expenditure		(268,555,039)	(221,736,076)
Operating deficit	36	(35,501,398)	(4,596,290)
Gain (loss) on disposal of assets and liabilities	36	102,341	(29,956)
Fair value adjustments	37	27,048	149,615
		129,389	119,659
Deficit for the year		(35,372,009)	(4,476,631)

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	666,614,801	666,614,801
Adjustments		
Correction of errors	(2,881,094)	(2,881,094)
Prior year adjustments	(2,855,276)	(2,855,276)
Balance at July 01, 2011 as restated	660,878,431	660,878,431
Changes in net assets		
Surplus for the year	(4,476,631)	(4,476,631)
Total changes	(4,476,631)	(4,476,631)
Opening balance as previously reported	656,401,808	656,401,808
Adjustments		
Correction of errors	(495,784)	(495,784)
Prior year adjustments	(4,691,415)	(4,691,415)
Balance at July 01, 2012 as restated	651,214,609	651,214,609
Changes in net assets		
Surplus for the year	(35,372,009)	(35,372,009)
Total changes	(35,372,009)	(35,372,009)
Balance at June 30, 2013	615,842,600	615,842,600
Note(s)		

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		53,902,600	43,963,187
Grants		118,052,625	93,689,626
Interest income		1,501,123	962,951
Other receipts		1,809,721	3,097,497
		<u>175,266,069</u>	<u>141,713,261</u>
Payments			
Employee costs		(60,280,150)	(50,947,630)
Suppliers		(84,546,312)	(58,628,376)
Finance costs		(945,498)	(986,333)
		<u>(145,771,960)</u>	<u>(110,562,339)</u>
Net cash flows from operating activities	39	29,494,109	31,150,922
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(40,685,649)	(23,228,890)
Proceeds from sale of property, plant and equipment	10	352,907	-
Purchase of other intangible assets	11	(152,147)	(755,759)
Proceeds from sale of financial assets		(23,545)	(27,365)
Proceeds from sale of biological assets that form part of an agricultural activity	8	-	27,500
Other cash item		-	(1,112)
		<u>(40,508,434)</u>	<u>(23,985,626)</u>
Net cash flows from investing activities		(40,508,434)	(23,985,626)
Cash flows from financing activities			
Repayment of non-current borrowings		(743,363)	(194,527)
		<u>(743,363)</u>	<u>(194,527)</u>
Net cash flows from financing activities		(743,363)	(194,527)
Net increase/(decrease) in cash and cash equivalents		(11,757,688)	6,970,769
Cash and cash equivalents at the beginning of the year		17,128,369	10,157,600
Cash and cash equivalents at the end of the year	7	5,370,681	17,128,369

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	89,532,000	(4,825,000)	84,707,000	76,524,578	(8,182,422)
Rental of facilities and equipment	557,000	145,000	702,000	415,297	(286,703)
Interest received (trading)	13,211,000	3,162,000	16,373,000	16,416,211	43,211
Other income	3,313,000	10,812,000	14,125,000	1,605,841	(12,519,159)
Interest received - investment	1,946,000	(595,000)	1,351,000	1,501,123	150,123

Total revenue from exchange transactions	108,559,000	8,699,000	117,258,000	96,463,050	(20,794,950)
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Revenue from non-exchange transactions

Taxation revenue

Property rates	13,636,000	2,540,000	16,176,000	16,194,067	18,067
Operating grants & subsidies	81,223,000	-	81,223,000	118,237,000	37,014,000

Transfer revenue

Public contributions and donations	-	-	-	2,043,939	2,043,939
Fines	215,000	(113,279)	101,721	115,585	13,864

Total revenue from non-exchange transactions	95,074,000	2,426,721	97,500,721	136,590,591	39,089,870
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Total revenue	203,633,000	11,125,721	214,758,721	233,053,641	18,294,920
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Expenditure

Personnel	(52,629,000)	-	(52,629,000)	(56,390,155)	(3,761,155)
Remuneration of councillors	(5,080,000)	-	(5,080,000)	(5,547,013)	(467,013)
Depreciation and amortisation	(61,168,000)	(2,000,000)	(63,168,000)	(65,925,543)	(2,757,543)
Impairment loss/ Reversal of impairments	-	-	-	(333,593)	(333,593)

Finance costs	(1,080,000)	-	(1,080,000)	(1,990,427)	(910,427)
Debt impairment	(10,000,000)	(30,000,000)	(40,000,000)	(44,402,410)	(4,402,410)
Repairs and maintenance	(9,633,000)	-	(9,633,000)	(8,819,816)	813,184
Bulk purchases	(23,037,000)	(10,008,000)	(33,045,000)	(28,834,798)	4,210,202
Contracted Services	(9,227,000)	(1,400,000)	(10,627,000)	-	10,627,000
General Expenses	(20,774,000)	(6,329,000)	(27,103,000)	(56,311,284)	(29,208,284)

Total expenditure	(192,628,000)	(49,737,000)	(242,365,000)	(268,555,039)	(26,190,039)
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Operating deficit	11,005,000	(38,611,279)	(27,606,279)	(35,501,398)	(41,923,921)
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Gain on disposal of assets and liabilities	-	-	-	102,341	102,341
Fair value adjustments	-	-	-	27,048	27,048
Capital grants received	34,018,000	8,000,000	42,018,000	-	(42,018,000)

	34,018,000	8,000,000	42,018,000	129,389	(41,888,611)
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Deficit before taxation	45,023,000	(30,611,279)	14,411,721	(35,372,009)	(49,783,730)
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	45,023,000	(30,611,279)	14,411,721	(35,372,009)	(49,783,730)
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Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	-	-	-	301,342	301,342
Receivables from non-exchange transactions	-	-	-	9,908,388	9,908,388
VAT receivable	-	-	-	3,469,164	3,469,164
Consumer debtors	47,699,000	-	47,699,000	68,842,075	21,143,075
Cash and cash equivalents	4,351,000	-	4,351,000	5,370,681	1,019,681
	52,050,000	-	52,050,000	87,891,650	35,841,650

Non-Current Assets

Biological assets that form part of an agricultural activity	-	-	-	11,500	11,500
Investment property	-	-	-	2,958,485	2,958,485
Property, plant and equipment	1,132,006,000	(2,000,000)	1,130,006,000	601,656,647	(528,349,353)
Intangible assets	-	-	-	210,916	210,916
Investments	4,351,000	-	4,351,000	3,878,868	(472,132)
	1,136,357,000	(2,000,000)	1,134,357,000	608,716,416	(525,640,584)

Non-current assets held for sale and assets of disposal groups

	-	-	-	2,250,000	2,250,000
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Total Assets

	1,188,407,000	(2,000,000)	1,186,407,000	698,858,066	(487,548,934)
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Liabilities

Current Liabilities

Payables from exchange transactions	18,831,000	-	18,831,000	30,768,902	11,937,902
VAT payable	13,992,000	-	13,992,000	17,740,518	3,748,518
Consumer deposits	-	-	-	1,228,563	1,228,563
Unspent conditional grants and receipts	1,001,000	-	1,001,000	5,489,578	4,488,578
current portion of Non-Current borrowings	131,000	-	131,000	401,550	270,550
	33,955,000	-	33,955,000	55,629,111	21,674,111

Non-Current Liabilities

Other financial liabilities	8,634,000	-	8,634,000	12,315,313	3,681,313
Employee benefit obligations	-	-	-	6,972,000	6,972,000
Provisions	-	-	-	8,099,035	8,099,035
	8,634,000	-	8,634,000	27,386,348	18,752,348

Total Liabilities

	42,589,000	-	42,589,000	83,015,459	40,426,459
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Net Assets

	1,145,818,000	(2,000,000)	1,143,818,000	615,842,607	(527,975,393)
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Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	103,940,000	-	103,940,000	53,902,600	(50,037,400)	
Grants	127,778,000	(4,527,000)	123,251,000	118,375,625	(4,875,375)	
Interest income	15,157,000	-	15,157,000	1,501,123	(13,655,877)	
Other receipts	-	-	-	1,809,721	1,809,721	
	246,875,000	(4,527,000)	242,348,000	175,589,069	(66,758,931)	

Payments

Employee costs	(57,709,000)	-	(57,709,000)	(60,280,150)	(2,571,150)	
Suppliers	(133,839,000)	-	(133,839,000)	(88,998,666)	44,840,334	
Finance costs	(1,080,000)	-	(1,080,000)	(945,498)	134,502	
	(192,628,000)	-	(192,628,000)	(150,224,314)	42,403,686	

Net cash flows from operating activities

54,247,000	(4,527,000)	49,720,000	25,364,755	(24,355,245)	
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Cash flows from investing activities

Purchase of property, plant and equipment	-	-	-	(40,685,649)	(40,685,649)	
Proceeds from sale of property, plant and equipment	-	-	-	250,566	250,566	
Purchase of other intangible assets	-	-	-	(152,147)	(152,147)	
Movement in debtors	5,048,000	-	5,048,000	-	(5,048,000)	
Movement in receivables	(178,000)	-	(178,000)	-	178,000	
Movement in investments	(152,000)	-	(152,000)	-	152,000	
Proceeds from sale of financial assets	-	-	-	(23,845)	(23,845)	

Net cash flows from investing activities

4,718,000	-	4,718,000	(40,611,075)	(45,329,075)	
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Cash flows from financing activities

Repayment of other financial liabilities	(344,000)	-	-	3,535,986	3,535,986	
Movement in consumer deposit	(253,000)	-	-	-	-	

Net cash flows from financing activities

(597,000)	-	-	3,535,986	3,535,986	
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Net increase/(decrease) in cash and cash equivalents

58,368,000	(4,527,000)	54,438,000	(11,710,334)	(66,148,334)	
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Cash and cash equivalents at the beginning of the year

(14,163,000)	-	(14,163,000)	17,128,369	31,291,369	
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Cash and cash equivalents at the end of the year

44,205,000	(4,527,000)	40,275,000	5,418,035	(34,856,965)	
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Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.2 Biological assets that form part of an agricultural activity

An entity shall recognise a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Derecognition

Biological assets is derecognised on disposal or when biological assets is loss through natural course and included in profit and loss in period losses are accounted.

1.3 Investment property

Initial Recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Accounting Policies

1.3 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Land	indefinite
Buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation and Impairment

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years
Furniture and fixtures	7-10 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Computer equipment	5 years
Computer software	5 years
Infrastructure	
• Roads and Paving	20 years
• Pedestrian malls	20 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.4 Property, plant and equipment (continued)

Community

• Building	30 years
• Recreational facilities	30 years
• Security	30 years
• Halls	30 years
• Libraries	30 years
• Parks and gardens	30 years
• Other assets	20-30 years

Specialised property, plant and equipment 5-15 years

Other equipment

• Landfill sites	30 years
• Quarries	30 years
• Emergency	5-15 years

Bins and containers 5 years

Specialised vehicles 5-7 years

Water network

• Watercraft	15 years
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Heritage

• Buildings	nil
• Paintings and artifacts	nil
Other property, plant and equipment	5-15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Derecognition

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.4 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Work in progress

Property, plant and equipment (fixed assets) shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the assets is constructed over a period of time, it shall be recorded as work in progress until it is available for use, where after it shall be appropriately capitalised as a fixed assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)**Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)**Impairment of financial assets**

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to councillors managers and employees

These financial assets are classified as loans and receivables.

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)**Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)**Held to maturity**

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)**Derecognition****Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Accounting Policies

1.6 Financial instruments - IAS 32, IAS 39 and IFRS 7 (continued)**Impairment of financial assets**

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Accounting Policies

1.7 Leases (continued)**Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or

Accounting Policies

1.8 Inventories (continued)

- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

Accounting Policies

1.9 Construction contracts and receivables (continued)

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Accounting Policies

1.11 Employee benefits (continued)**Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Accounting Policies

1.12 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Accounting Policies

1.12 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.13 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly. Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.13 Revenue from exchange transactions (continued)**Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Other Revenue sources:

Service charges relating to electricity and water are based on consumption. Meters readings are on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made on a monthly basis when meter reading have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of prepaid meter cards is recognised at the point of sale

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount

Revenue from property

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on the past experience of amounts collected.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Revenue from public contributions and donations

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contribution have been received, but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Grants, transfers and donation received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an assets. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the condition attached to the grant are met. Grants without any condition attached are recognised as revenue when the assets is recognised

Accounting Policies

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure A to these financial statements.

Accounting Policies

1.17 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and the reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) which has not been condoned in terms of section 170;

Accounting Policies

1.20 Irregular expenditure (continued)

- (c) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of Municipality Systems Act, and which has not been condoned in terms of the Act;
- (d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or
- (e) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-laws but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which was condoned before year end and / or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statement.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.23 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The capital amount and related interest earned in the designated CRR bank account are only utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.24 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Commitments

Commitments represents goods and services that have been ordered, but for which no delivery has taken place at the reporting date. These amounts are not recognised in the financial position as a liability or as expenditure in the statement of financial performance, but however disclose as part of note to the financial statements.

Approved and Contracted.

Where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments.

Where the expenditure has been approved (Budgeted) and the contracted as yet to be awarded or is awaiting finalisation at the reporting date.

1.26 Level of rounding.

Due to the utilisation of the rounding level function of Case Ware programme balances were affected by rounding off to the nearest rand.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 23: Revenue from Non-exchange Transactions 	April 01, 2012	Impact on annual financial statements will reflect in note 14 VAT and note 25 Grants.
<ul style="list-style-type: none"> GRAP 24: Presentation of Budget Information in the Financial Statements 	April 01, 2012	Impact on annual financial statements will reflect in the Statement of Comparison of Budget and Actual Amounts and appendix E.
<ul style="list-style-type: none"> GRAP 103: Heritage Assets 	April 01, 2012	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
<ul style="list-style-type: none"> GRAP 21: Impairment of non-cash-generating assets 	April 01, 2012	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
<ul style="list-style-type: none"> GRAP 26: Impairment of cash-generating assets 	April 01, 2012	Impact on annual financial statements will reflect in Note 20.
<ul style="list-style-type: none"> GRAP 104: Financial Instruments 	April 01, 2012	Impact on annual financial statements will reflect in Note 4, Note 6, Note 9, Note 7, Note 17

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
3. Inventories		
Consumable store - at cost	117,274	80,691
Water	184,068	130,815
	301,342	211,506
4. Receivables from non-exchange transactions		
Auction fees	253,572	-
Other debtors	7,131,717	3,844,471
ABSA Bank	1,078,004	1,078,004
Outstanding traffic fines	7,150	9,750
15 days water billing	1,013,437	627,858
15 days electricity billing	424,508	511,192
Prepaid expenses	-	6,926
	9,908,388	6,078,201
5. VAT receivable		
VAT	3,469,164	3,502,201
VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once suppliers have been paid. This amount is the net effect of municipalities control accounts for debtors and creditors		
6. Consumer debtors		
Gross balances		
Rates	32,418,234	17,170,777
Electricity	6,823,952	6,397,441
Water	42,737,707	35,896,044
Sewerage	33,729,040	31,919,538
Refuse	39,536,937	37,168,602
Other	72,975,871	75,980,070
Housing rental	506,732	605,593
	228,728,473	205,138,065
Less: Allowance for impairment		
Rates	(15,504,252)	(3,587,107)
Electricity	(1,735,163)	(996,998)
Water	(32,690,973)	(27,621,832)
Sewerage	(26,350,652)	(25,309,525)
Refuse	(32,236,748)	(29,984,337)
Other	(50,911,306)	(57,037,178)
Housing rental	(457,304)	(555,504)
	(159,886,398)	(145,092,481)

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
6. Consumer debtors (continued)		
Net balance		
Rates	16,913,982	13,583,670
Electricity	5,088,789	5,400,443
Water	10,046,734	8,274,212
Sewerage	7,378,388	6,610,013
Refuse	7,300,189	7,184,265
Other	22,064,565	18,942,892
Housing rental	49,428	50,089
	68,842,075	60,045,584
Rates		
Current (0 -30 days)	657,924	915,953
31 - 60 days	341,382	345,487
61 - 90 days	266,940	277,226
91 - 120 days	251,410	324,007
121 - 365 days	15,396,326	11,720,997
	16,913,982	13,583,670
Electricity		
Current (0 -30 days)	1,660,967	1,976,038
31 - 60 days	501,550	242,852
61 - 90 days	140,964	198,536
91 - 120 days	129,507	169,883
121 - 365 days	2,655,801	2,813,134
	5,088,789	5,400,443
Water		
Current (0 -30 days)	915,996	1,336,107
31 - 60 days	391,492	393,318
61 - 90 days	327,388	329,998
91 - 120 days	357,171	367,810
121 - 365 days	8,054,687	5,846,979
	10,046,734	8,274,212
Sewerage		
Current (0 -30 days)	424,772	549,410
31 - 60 days	201,218	170,472
61 - 90 days	177,274	162,569
91 - 120 days	171,824	157,671
121 - 365 days	6,403,300	5,569,891
	7,378,388	6,610,013

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
6. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	397,097	549,410
31 - 60 days	219,253	170,471
61 - 90 days	193,750	162,569
91 - 120 days	189,515	157,671
121 - 365 days	6,300,574	6,144,144
	7,300,189	7,184,265
Sundry debtors - VAT, interest & Other		
Current (0 -30 days)	3,473,882	1,469,620
31 - 60 days	596,898	506,372
61 - 90 days	379,127	503,733
91 - 120 days	572,937	469,730
121 - 365 days	17,041,721	15,993,437
	22,064,565	18,942,892
Housing		
121 - 365 days	49,428	50,089

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
6. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	5,119,542	10,782,070
31 - 60 days	4,128,538	4,492,938
61 - 90 days	2,834,702	4,322,940
91 - 120 days	4,436,974	4,141,237
121 - 365 days	182,842,572	157,517,032
	199,362,328	181,256,217
Less: Allowance for impairment	(157,568,436)	(141,920,915)
	41,793,892	39,335,302
Industrial/ commercial		
Current (0 -30 days)	3,130,164	2,566,130
31 - 60 days	225,489	439,093
61 - 90 days	379,005	411,076
91 - 120 days	372,742	416,510
121 - 365 days	14,486,372	11,771,437
	18,593,772	15,604,246
Less: Allowance for impairment	(1,991,887)	(2,067,337)
	16,601,885	13,536,909
National and provincial government		
Current (0 -30 days)	759,848	330,560
31 - 60 days	135,795	159,628
61 - 90 days	14,251	40,156
91 - 120 days	120,547	29,550
121 - 365 days	4,309,731	5,956,496
	5,340,172	6,516,390
Less: Allowance for impairment	(326,073)	(627,466)
	5,014,099	5,888,924
Total		
Current (0 -30 days)	9,501,829	13,678,761
31 - 60 days	4,060,172	5,091,659
61 - 90 days	2,473,722	4,774,169
91 - 120 days	4,706,172	4,587,298
121 - 365 days	207,986,578	177,006,178
	228,728,473	205,138,065
Less: Allowance for impairment	(159,886,398)	(145,092,481)
	68,842,075	60,045,584
Less: Provision for debt impairment		
Current (0 -30 days)	(159,886,398)	(145,092,481)

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
6. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(145,092,481)	(153,446,038)
Contributions to allowance	(14,793,917)	-
Reversal of allowance	-	8,353,557
	(159,886,398)	(145,092,481)

Fair value of consumer debtors

Consumer debtors	68,842,075	60,045,584
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Consumer debtors

Consumer debtors as reflected in note 6 included write offs of debtors that no due processes were followed. The matter is being investigated internally to ensure that this irregularities and responsible parties are identified and held accountable.

The amount consumer debtors is understated with R 759,928.64.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,389	17,035
Bank balances	1,672,312	1,363,716
Short-term deposits	3,696,369	15,747,618
Other cash and cash equivalents	611	-
	5,370,681	17,128,369

Short term investments included in cash and cash equivalents	3,696,563	15,747,618
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2013	June 30, 2012	June 30, 2011
ABSA BANK - Operating - 217-056-0119	217,280	1,307,739	332,413	217,280	1,307,739	332,413
FNB BANK - Current -620-640-82799	-	3,650,472	3,647,830	-	3,650,472	3,647,830
ABSA BANK - Banktel -217-014-2538	1,455,032	55,977	67,534	1,455,032	55,977	67,534
ABSA BANK - Call account - 907-415-55973	2,893,883	1,000	439,260	2,893,883	1,000	439,260
FNB BANK - Fixed Deposit 74 348 905 983	-	5,094,929	-	5,094,929	5,094,929	-
STD BANK - Fixed Deposit: 24 8467 816	-	10,000,000	-	-	10,000,000	-
Total	4,566,195	20,110,117	4,487,037	9,661,124	20,110,117	4,487,037

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

8. Biological assets that form part of an agricultural activity

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Livestock	11,500	-	11,500	11,200	-	11,200

Reconciliation of biological assets that form part of an agricultural activity - 2013

	Opening balance	Gains or losses arising from changes in fair value	Closing balance
Livestock	11,200	300	11,500

Reconciliation of biological assets that form part of an agricultural activity - 2012

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Closing balance
Livestock	67,544	(57,456)	1,112	11,200

Non - Financial information

Quantities of each biological asset

Wilde Beest	1	1
Bles Bucks	9	9
	10	10

Proceeds from disposal of biological assets

Carrying value of biological assets sold	-	(57,456)
loss on disposal of assets	-	29,956
	-	(27,500)

Methods and assumptions used in determining fair value

Fair value less estimated point-of-sale costs, which is determined by the selling price for livestock less value added tax.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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9. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	3,550,000	(591,515)	2,958,485	3,550,000	(473,258)	3,076,742

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Buildings	3,076,742	(118,257)	2,958,485

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Buildings	3,195,000	(118,258)	3,076,742

Pledged as security

No carrying value of investment property was pledged as security for loans at year end.

10. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	153,931,390	-	153,931,390	153,931,390	-	153,931,390
Buildings	53,147,300	(16,852,615)	36,294,685	91,234,682	(12,157,305)	79,077,377
Infrastructure	883,218,434	(525,452,981)	357,765,453	854,495,504	(491,490,913)	363,004,591
Community	4,855,716	(1,146,701)	3,709,015	2,235,703	(959,440)	1,276,263
Other property, plant and equipment	19,524,215	(11,685,750)	7,838,465	18,529,750	(9,615,516)	8,914,234
WIP-land rehabilitation sites	6,523,273	-	6,523,273	6,389,365	-	6,389,365
Work in progress	35,594,366	-	35,594,366	11,720,350	-	11,720,350
Total	1,156,794,694	(555,138,047)	601,656,647	1,138,536,744	(514,223,174)	624,313,570

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Closing balance
Land	153,931,390	-	-	-	-	-	153,931,390
Buildings	79,077,377	192,428	-	(36,370,349)	-	(6,604,771)	36,294,685
Infrastructure	363,004,591	15,224,590	(233,436)	36,370,349	(57,173)	(56,543,468)	357,765,453
Community	1,276,263	-	-	-	2,678,062	(245,310)	3,709,015
Other property, plant and equipment	8,914,234	1,260,708	(17,130)	-	-	(2,319,347)	7,838,465
WIP-land rehabilitation sites	6,389,365	1,387,365	-	(1,253,457)	-	-	6,523,273
WIP progress	11,720,351	22,620,558	-	1,253,457	-	-	35,594,366
	624,313,571	40,685,649	(250,566)	-	2,620,889	(65,712,896)	601,656,647

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Classified as held for sale	Transfers	Other changes, movements	Depreciation	Closing balance
Land	156,514,983	-	(2,583,593)	-	-	-	153,931,390
Buildings	81,965,287	167,232	-	-	-	(3,055,142)	79,077,377
Infrastructure	384,132,777	6,151,732	-	19,996,388	10,441,162	(57,717,468)	363,004,591
Community	1,472,506	-	-	-	-	(196,243)	1,276,263
Other property, plant and equipment	8,608,871	2,622,188	-	-	-	(2,316,825)	8,914,234
WIP-land rehabilitation sites	-	6,389,365	-	-	-	-	6,389,365
Work in progress	22,187,989	9,528,749	-	(19,996,388)	-	-	11,720,351
	654,882,413	24,859,266	(2,583,593)	-	10,441,162	(63,285,678)	624,313,571

Pledged as security

No carrying value of assets pledged as security.

Other information

Proceeds of Non-current assets held for sale

Selling of stands to community	764,473	368,421
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Included in property, plant and equipment is erwe that was sold during the financial year to community at R5,000 for 400square meter. The rights of ownership has not yet been transfer and are still included in the land and asset register of the municipality.

See note 12 under Trade payables.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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10. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,230,580	(1,019,664)	210,916	1,078,433	(360,509)	717,924

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Other changes, movements	Amortisation	Closing balance
Computer software, other	717,924	152,147	(564,765)	(94,390)	210,916

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Closing balance
Computer software, other	119,162	755,759	(156,997)	717,924

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
12. Investments		
Non-current assets		
At amortised cost	3,878,868	3,828,275
13. Payables from exchange transactions		
Trade payables	23,730,772	15,514,396
Deferred Revenue on Pre Paid Electricity	501,374	-
Accrued leave pay	4,544,657	3,302,998
Accrued bonus	1,178,137	1,128,431
Deposits received	11,747	25,730
Finance portion of trade payables	14,101	1,230
Selling of land sites	764,473	368,421
UIF refundable	23,648	23,648
	30,768,909	20,364,854
14. VAT payable		
Tax refunds payables	17,740,518	11,516,511
VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once suppliers have been paid		
VAT accounted on cash basis		
Receivable from SARS - cash basis	(3,469,164)	(3,520,201)
VAT payable on invoice basis	21,209,682	15,036,712
	17,740,518	11,516,511
15. Consumer deposits		
Electricity	1,205,321	1,169,343
Other deposits	23,242	21,942
	1,228,563	1,191,285

No interest accrued or paid on consumer deposits

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MSIG	-	15,938
MFMG	45,589	341,342
MIG	5,300,677	5,300,677
EPWP Grant	143,312	-
	5,489,578	5,657,957

Movement during the year

Balance at the beginning of the year	5,657,957	944,802
Additions during the year	118,375,625	98,402,782
Income recognition during the year	(118,544,004)	(93,689,627)
	5,489,578	5,657,957

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 24 of reconciliation of grants from National/Provincial Government.

17. Other financial liabilities

At amortised cost

DBSA loans	7,539,097	7,848,355
Fixed interest rates of 10.35% with fixed instalments of R 96,732.62 p/m. The maturity date of this loan is 2024.		
DBSA loans	1,247,093	1,306,085
Fixed interest rates of 9.09% with fixed instalments of R 15,156.21 p/m. The maturity date of this loan is 2024.		
Grainfield Chickens (Pty) Ltd	3,529,123	3,904,236
Interest are charge to the loan at prime rate. The capital repayment of this loan are linked to the electricity charge to Grainfield Chickens plus a 10% margin.		
	12,315,313	13,058,676

Total other financial liabilities

12,315,313 **13,058,676**

Non-current liabilities

At amortised cost	12,315,313	13,058,676
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Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Benefits paid	Actuarial loss/gain	Interest cost	Current Service Cost	Total
Environmental rehabilitation	3,869,757	920,269	-	-	221,009	-	5,011,035
Employee long service awards	2,420,000	-	(199,000)	254,000	201,000	412,000	3,088,000
	6,289,757	920,269	(199,000)	254,000	422,009	412,000	8,099,035

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	3,542,327	327,430	3,869,757
Employee long service awards	-	2,420,000	2,420,000
	3,542,327	2,747,430	6,289,757

Environmental rehabilitation provision

The provision for rehabilitation of landfill site related to the constructive obligation to rehabilitate landfill sites used for waste disposal. The provision is discounted to the present value of the future cost to rehabilitate the landfill site, using the average cost of the municipality borrowing interest rate of 9.72%.

Reitz and Petsana landfill site were completed during the year and the provision were made for the rehabilitation of this sold waste disposal site. The provision is discounted to the present value of the future cost to rehabilitate the landfill site, using the average cost of the municipality borrowing interest rate of 9.72%.

The landfill site are located at Mamafubedu, Ntha and Reitz.

Employee long service awards

An actuarial valuation has been performed on the municipalities liability for long service awards relating to vested benefit to which employees may become entitled upon completion of years according to the Collective Agreement on Conditions of Service, SALGBC. The provision is utilised when eligible employees receive the value of the vested benefits.

Key financial assumptions

Discount rate	7.40%	7.92%
Consumer price inflation	5.66%	5.74%
Normal Salary increase rate	6.66%	6.74%
Net effective discount rate	0.69%	1.11%

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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19. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Post employment medical aid benefit

Present value of the defined contribution obligation-wholly unfunded	(6,972,000)	(6,586,000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	6,586,000	6,491,000
Net expense recognised in the statement of financial performance	386,000	95,000
Closing balance	6,972,000	6,586,000

Net expense recognised in the statement of financial performance

Interest cost	532,000	95,000
Actuarial (gains) losses	331,000	-
benefits paid	(477,000)	-
Total included in employee related costs	386,000	95,000

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	331,000	-
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.89 %	8.35 %
Consumer Price Inflation	6.14 %	6.40 %
Expected increase in healthcare costs	7.14 %	6.85 %
Net effective discount rate	0.70 %	1.40 %

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to 16 retired employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. There is no current policy in place governing the contributions made to these employees.

The municipality is under no obligation to cover any unfunded benefits.

The total economic entity contribution to such schemes	863,000	532,000
The amount recognised as an expense for defined contribution plans is	(477,000)	(437,000)

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

20. Discontinued operations or disposal groups or non-current assets held for sale

The municipality has decided to dispose off residential sites in accordance with section 14 of the local government, Municipal Finance Management Act of 56 of 2003, subsection 2(b).

The non-current assets are to be sold piecemeal at a market price of R 5,000 per site.

The disposal are expected to be completed once all requirements are met for full occupation and title of ownership has transferred at the title deed offices. .

Surplus / Deficit

Expenses	333,593	-
Net surplus before tax	333,593	-
Net surplus after tax	333,593	-
Gain (loss) on measurement to fair value less cost to sell	(333,593)	-
	-	-

Assets and liabilities

Non-current assets held for sale

Property, plant and equipment	2,250,000	2,583,593
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A decision was taken to reduce the allocated portion of sites to fast track the occupation process, this resulted in a remeasurement of the Non-current assets held for sale. This resulted in a impairment loss as presented above.under surplus/deficit.

21. Current portion of non-current borrowing

The current portion is payable to the Development Bank of South Africa in the next 12 months. The total outstanding loan for DBSA are as follow:

Development Bank of South Africa

Capital - Held at amortised cost	8,786,190	9,278,322
Instalments within 12 months	401,550	430,325
	9,187,740	9,708,647

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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22. Revenue

Service charges	76,524,578	74,593,511
Rental of facilities and equipment	415,297	323,901
Interest received (trading)	16,416,211	15,529,229
Discount received	-	7,654
Recoveries	-	8,353,558
Other income	1,605,841	2,034,288
Interest received - investment	1,501,123	962,951
Property rates	16,194,067	11,008,056
Government grants & subsidies	118,237,000	93,689,626
Public contributions and donations	2,043,939	10,441,162
Fines	115,585	195,850
	233,053,641	217,139,786

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	76,524,578	74,593,511
Rental of facilities and equipment	415,297	323,901
Interest received (trading)	16,416,211	15,529,229
Discount received	-	7,654
Recoveries	-	8,353,558
Other income	1,605,841	2,034,288
Interest received - investment	1,501,123	962,951
	96,463,050	101,805,092

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	16,194,067	11,008,056
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Transfer revenue

Government grants & subsidies	118,237,000	93,689,626
Public contributions and donations	2,043,939	10,441,162
Fines	115,585	195,850
	136,590,591	115,334,694

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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23. Property rates

Rates received

Residential	16,194,067	11,008,056
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Valuations

Residential	248,176,900	248,176,900
Commercial	60,208,780	61,208,780
State	97,777,650	97,777,650
Municipal	1,595,900	1,595,900
Agriculture	483,950,300	483,950,300
	891,709,530	892,709,530

Valuation on property rates are performed every 4 years. The last general valuation came into effect on 1 July 2009.

Rebates of R 20,000 (2010: R 20,000) are granted to residential property owners.

Rates are levied on an monthly basis. Interest at prime plus 1% per annum is levied on outstanding rates older then 30 days.

The new general valuation will be implemented on 01 July 2013.

24. Service charges

Sale of electricity	29,513,657	25,656,300
Sale of water	24,247,485	26,188,237
Sewerage and sanitation charges	11,279,735	11,143,881
Refuse removal	11,483,701	11,605,093
	76,524,578	74,593,511

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

25. Government grants and subsidies

Operating grants

Equitable share	77,857,000	67,786,000
MSIG	831,934	1,207,372
MFMG	1,795,753	1,620,149
LG SETA	131,442	332,782
EPWP	856,688	-
	81,472,817	70,946,303

Capital grants

MIG	34,018,000	22,743,323
Regional Bulk Water Infrastructure Grant	2,746,183	-
	36,764,183	22,743,323
	118,237,000	93,689,626

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The equitable share is an unconditional grant and is utilised to assist the local municipalities to undertake service delivery

MSIG

Balance unspent at beginning of year	15,938	433,311
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(815,938)	(1,207,373)
	-	15,938

Conditions still to be met - remain liabilities (see note 16).

MFMG

Balance unspent at beginning of year	341,342	511,491
Current-year receipts	1,500,000	1,450,000
Conditions met - transferred to revenue	(1,795,753)	(1,620,149)
	45,589	341,342

Conditions still to be met - remain liabilities (see note 16).

LG SETA

Current-year receipts	131,442	332,782
Conditions met - transferred to revenue	(131,442)	(332,782)
	-	-

Regional Bulk Water Infrastructure Grant

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
25. Government grants and subsidies (continued)		
Current-year receipts	2,746,183	-
Conditions met - transferred to revenue	(2,746,183)	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

MIG

Balance unspent at beginning of year	5,300,677	-
Current-year receipts	34,018,000	28,044,000
Conditions met - transferred to revenue	(34,018,000)	(22,743,323)
	5,300,677	5,300,677

Conditions still to be met - remain liabilities (see note 16).

EPWP Grant

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(856,688)	-
	143,312	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

26. Public contributions and donations

Public contributions and donations	2,043,939	10,441,162
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Public Contributions received - 2013

The Department of Sports, Arts, Culture and Recreation has funded the erection of a Multipurpose Centre in Petrus Steyn. This project was implemented by the Department of Public Works.

The assets are capitalised and included under Community assets under note 10

Public Contributions received - 2012

During the financial year the municipality received donations in the form of infrastructure. Thabo Mofutsanyana transferred the newly contracted Paved road in Leratswana to the value of R 2,963,088.00.

The Department of Rural Settlement donated a newly constructed Water and Sewer Reticulation for 330 Erven in Petsana Ext.7 to the value of R 7,478,074.39.

The assets are capitalised and included under Infrastructure assets under note 10.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
27. Other income		
Cemetery fees	406,212	343,561
Insurance claims	248,357	134,794
Connection fees	603,651	210,151
Garden refuse	2,682	509
Building plans & Clearance certificates	47,908	19,177
Sundries	297,031	1,326,096
	1,605,841	2,034,288

Sundries include commission, tender documents and bringing of meters (fines).

28. Investment revenue

Interest revenue

Bank	1,501,123	962,951
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Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
29. Personnel		
Basic	35,394,401	28,742,272
Bonus	2,600,189	2,216,239
Medical aid	2,312,985	1,863,014
UIF	359,794	312,088
WCA	176,004	219,089
SDL	478,603	542,371
Leave pay provision charge	1,291,365	537,304
Salga	28,474	4,777
Travel, motor car, accommodation, subsistence and other allowances	1,735,502	1,529,283
Overtime payments	2,291,585	2,134,706
Acting allowances	261,459	140,793
Housing benefits and allowances	158,297	152,515
Pension fund contribution	6,412,577	5,376,600
Standby allowance	665,048	641,698
Other & Telephone	551,970	457,694
	54,718,253	44,870,443

Remuneration of municipal manager

Annual Remuneration	785,047	801,506
Acting Allowance	34,326	-
Car Allowance	140,000	180,000
Contributions to UIF	1,373	1,497
Medical and Pension Funds	39,785	-
	1,000,531	983,003

Remuneration of chief finance officer

Annual Remuneration	565,169	639,396
Acting allowance	27,829	-
Car Allowance	77,000	84,000
Contributions to UIF	1,373	1,497
	671,371	724,893

30. Remuneration of councillors

Mayor	673,035	594,773
Executive Committee	1,165,694	1,022,017
Councillors	2,523,877	2,214,567
Speaker	561,897	506,895
	4,924,503	4,338,252

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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30. Remuneration of councillors (continued)

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Speaker has use of Council owned laptop and i-pad

The Executive Committee members also has use of Council owned laptops

Councillor remuneration is in line with the upper limits that is Gazetted by the Department of Cooperative governance.

Remuneration of councillors.

Councillors remuneration disclose under note 30 only reflects the remuneration of councillors and exclude the departmental remuneration paid to other staff members.

31. Depreciation and amortisation

Property, plant and equipment	65,712,896	63,687,900
Investment property	118,257	118,258
Intangible assets	94,390	156,997
	65,925,543	63,963,155

32. Finance costs

Non-current borrowings	1,257,427	986,334
Late payment of tax	-	10,153
Long term provision finance charges	733,000	422,430
	1,990,427	1,418,917

33. Debt impairment

Debt impairment written off	29,608,495	43,155,573
Contributions to debt impairment provision	14,793,915	-
	44,402,410	43,155,573

34. Bulk purchases

Electricity	27,709,604	17,303,583
Water	1,125,194	87,621
	28,834,798	17,391,204

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
35. General expenses		
Advertising	398,842	339,451
Auditors remuneration	3,258,557	3,386,094
Bank charges	510,283	361,513
Cleaning	133,384	109,705
Commission paid	377,549	13,084
Consulting and professional fees	10,109,923	6,221,736
Consumables	535,546	484,565
Debt collection	71	16,091
Donations	796,746	562,085
Entertainment	2,600,679	589,352
Fines and penalties	-	17,917
Hire	9,530	-
Insurance	688,144	455,584
Lease rentals on operating lease	2,759,423	1,195,439
Magazines, books and periodicals	61,000	121,952
Fuel and oil	5,184,308	3,362,742
Postage and courier	137,174	454,519
Printing and stationery	2,040,379	1,184,034
Promotions	707,829	625,543
Solid Waste Rehabilitation Expense	2,529,105	2,774,569
Subscriptions and membership fees	1,112,303	75,468
Telephone and fax	778,615	796,909
Training	3,393,947	980,456
Travel - local	2,475,729	2,038,602
Refuse	1,407,868	701,541
Assets expensed	212,882	1,324
Electricity	9,303,338	4,058,195
Refuse	754,568	1,207,237
Uniforms	228,097	390,032
License fees	366,872	-
Chemicals	1,861,862	836,785
Other expenses	1,576,731	528,497
	56,311,284	33,891,021

36. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

Motor vehicles		
• Contractual amounts	1,214,261	-
Equipment		
• Contractual amounts	1,545,162	1,195,439
	2,759,423	1,195,439

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
36. Operating deficit (continued)		
Gain on sale of property, plant and equipment	102,341	-
Loss on sale of biological assets	-	(29,956)
Impairment on property, plant and equipment	333,593	-
Amortisation on intangible assets	94,390	156,997
Depreciation on property, plant and equipment	65,712,896	63,687,900
Depreciation on investment property	118,257	118,258
Employee costs	61,937,168	51,405,324
37. Fair value adjustments		
Other financial assets		
• Other financial assets (Held for trading)	27,048	149,615
38. Auditors' remuneration		
Fees	3,258,557	3,386,094
39. Cash generated from operations		
Deficit	(35,372,009)	(4,476,631)
Adjustments for:		
Depreciation and amortisation	65,925,543	63,963,155
Loss/(gain) on sale of assets and liabilities	(102,341)	29,956
Fair value adjustments	(27,048)	(149,615)
Impairment deficit	333,593	-
Debt impairment	44,402,410	43,155,573
Movements in retirement benefit assets and liabilities	386,000	95,000
Movements in provisions	1,809,278	327,430
Other non-cash items	(5,228,457)	5,046,184
Allowance for debt impairment	-	(8,353,558)
Other non-cash items	(2,043,939)	(10,441,162)
Changes in working capital:		
Inventories	(89,836)	58,866
Receivables from non-exchange transactions	(3,830,187)	339,303
Consumer debtors	(53,198,901)	(61,337,911)
Payables from exchange transactions	10,404,060	3,432,072
VAT	6,257,044	(5,270,112)
Unspent conditional grants and receipts	(168,379)	4,713,155
Consumer deposits	37,278	19,217
	29,494,109	31,150,922

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure	30,299,859	22,684,176
------------------	------------	------------

Not yet contracted for and authorised by accounting officer

• Infrastructure	30,582,340	17,373,731
------------------	------------	------------

This committed expenditure relates to infrastructure and will be financed as followed:

Government Grants	32,297,000	28,044,000
Own resources	17,399,650	16,040,614
Regional Bulk Infrastructure Grant	5,000,000	-
Intergrated Electricity Infastructure Grant	14,000,000	-
	68,696,650	44,084,614

Retention monies on capital projects

Ntha: Paving of 6km roads (MIS:163665) - Phase 1 & 2	379,076	275,950
Sewer Network Mamafubedu, Petrus Steyn	-	1,206,778
Packing Plant Providing suitable effluent at Mamafubedu	-	300,000
Arlington: Construction of Solid waste transfer station (MIG430)	-	336,000
Lindley Water purification works (K265B)	-	1,552,677
Reitz: Construction of Solid waste disposal site (MIG420)	-	820,800
	379,076	4,492,205

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	590,524	292,962
- in second to fifth year inclusive	4,188,891	1,464,812
	4,779,415	1,757,774

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	(166,500)	(267,106)
- in second to fifth year inclusive	(242,539)	(409,039)
	(409,039)	(676,145)

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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41. Contingencies

PARTY AND PARTICULARS	ACTUAL AMOUNT INVOLVED	CONTINGENCY AMOUNT INVOLVED	CONTINGENCY NLM LEGAL FEES	SUING PARTY CONTINGENCY	TOTAL CONTINGENCY PLUS COST
Mothei Construction, Company appointed for MIG project suing for professional fees, services and disbursement.	2,104,255	-	526,064	526,064	3,156,383
PAVEMENTS					
Telkom, Damage Telkom cables at 36 1st Street, Reitz	133,394	-	33,350	33,350	200,094
Khovongo Construction	49,324	-	190,000	190,000	429,324
Nketoana Development, Services rendered: Tennis Court	50,740	-	12,685	12,685	76,110
Telkom, Damage Telkom Cables at Steyn Street	66,982	-	16,745	16,745	100,472
Telkom: Damages caused by employees on Voortrekker Street	69,314	-	-	5,260	74,574
Telkom, Damage Telkom Cables at Cnr Swart/Walker Street	17,473	-	4,368	4,368	26,209
Mering CJ, Legal fees on Postponement	5,420	-	-	-	5,420
T.L.W.G. Lekota: Personal Injury, speed hump with no signs Portgieter Street, PS.	810,000	-	202,500	202,500	1,215,000
Telkom: Damage Telkom Cables at 19 Eeufes Street, Petruseyn	-	50,000	12,500	12,500	75,000
Radebe DD: Unfair dismissal	950,000	-	237,500	-	1,187,500
JS Onderdele: Service rendered - motor vehicle	6,919	-	1,730	-	8,649
Rudnat Projects CC: Services rendered for business plan and designs professional fees	5,287,036	-	1,321,759	1,321,759	7,930,554
Blue Kite Properties: Sale of Old Auction Kraalsindley. Company paid for buying land and wants to cancel	45,600	-	11,400	11,400	68,400

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013		2012	
41. Contingencies (continued)				
Reitz Billie Millie:	-	900,000	225,000	225,000
Contract of sale of Reitz show land. Dispute pending in the High Court				1,350,000
Mozemanga Trading:	766,238	-	191,560	191,560
Serives Rendered				1,149,358
Bara Ba Bataung:	-	900,000	-	-
Services rendered:				900,000
Running of Arbatoir and compliance fees				
Adv. Mofokeng	10,492,193	-	2,623,049	-
Mosebetsi				13,115,242
	20,854,888	1,850,000	5,610,210	2,753,191
				31,068,289

NOTES: SOURCE OF CONTINGENCY CALCULATIONS: SURBODINATE LEGISLATION IN TERMS OF THE CONTINGENCY FEES ACT, 1997(ACT 66 OF 1997)

(a) Section 1(vi)(b) and 5: Determination of of Professional Controlling Body and designation of a body published in Government Notice No. R. 546 of 23 April 1999(Government GazetteNo. 20009) and amended by Government

Notice No.R. 1110 of 3November 2000 (Government Gazette no 21719). LIMIT AT 25% OF CLAIM AMOUNT. Actual amount represent the actual amount as it appear on the letter of demand, summons or claim in other tribunial such as bargain council as calculated amount on contract or legislation .

Contingency of amount involved refers to amount where the demand does not specify the amount claim pending qoutations or actual repairs costs, or other costs,

Suing Party Contingency on Legal on Legal Fees refers to costs of party suing municipality legal costs as calculated based on Contingency Fees Act 66 of 1997.

Contingency on NLM legal fees refers to legal fees contingency that municipality pays its legal representation.

Contingency - VAT payable

The municipality had claimed VAT on invoice from VAT vendors whose invoice did not meet the requirements of a valid tax invoice as required by Section 20 of Value Added Tax 89 of 1991.

The municipalities possible liability as a result of the above is estimated at R 208,642.30.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

42. Related parties

Relationships

Accounting Officer

Chief Financial Officer (Acting)

Councillors

Refer to accounting officer's report note
 F Mzizi (Piletso Kgamathai Construction)
 Radebe Teboho Patrick (Vis a Vis Trading)
 Tshabalala Ncani Selina (Dexpro Construction and)
 Mosia Mokete Jeremiah (Mahatammoho Reteng)
 Mokoena Kgaketla Abram (Re Bonahatse
 construction
 Blignaut Marthinus -
 NG Welsyn Reitz-Tehuis
 Monaufic Belegging
 NG Welsyn Reitz Wooneenhede
 Agristan SA
 Tipakri Eiendoms Beleggings
 Mofokeng Phoka Petrus(P M M M Builders
 Purple Moss 1057)
 Moshwadiba Paseka Zacharia(Shwak's Construction
 And Distribution)
 Mokgatlhe Lekgetho(Entle Trading 507)
 Lekgau Tebogo(Seopex trading And Projects)
 Maseko Sebina Mable(Maseko And Moji Trading And
 Projects)
 Sithole Bongumusa Benedict(Bongment Consulting
 Skwaya Construction And Services
 Zakios Trading Enterprise)
 Letsela Samson Moeketsi(Thabo Mofutsanyane
 Goodman Football Academy
 Small Green Garden Centre
 Lapoloha Restaurant)
 Nhlapo Solomon Mokete(Kido Consultancy)
 Manzi Mwandile Penwel(Nthape I T
 Mamampu Trading Enterprise
 Mzwajo Project Management Services
 Pemzwa Consultancy Agency)
 Moletsane Morakane Mariam(Keewave Trading 97)
 (Femininity In Development)
 (MoletsaneMM Project Management And
 Construction)
 (Superior Quality Engineering And Technologies 7)
 (Thembalentswe Construction And projects)
 (Moletsane And Diale sservice Providers)

Managers

Directors

The above members of council has active business during the financial year under review, however did not trade with the municipality either directly or indirectly.

43. Prior period errors

The correction of the error(s) results in adjustments as follows:

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
43. Prior period errors (continued)		
Statement of financial position		
Other creditors	402,864	-
Petty cash	(17,035)	-
Intangible assets	(564,646)	-
Payables from exchange transactions	27,500	(205,734)
Consumer and Other Debtors	(4,686,268)	-
Provisions	(920,268)	-
Employee benefit cost	-	(2,420,000)
Property, plant and equipment	576,074	-
Statement of Financial Performance		
General Expenses	-	(255,360)
Effect: Accumulating Surplus	5,181,779	2,881,094

Other Creditors.

Cash and cash equivalents unreconciliation items included in Other creditors were investigated during the year and were found to have included transaction that were not actual transaction on the bank account.

Petty cash.

Petty cash expenses were directly paid to the petty cash vote and not expense to the relevant expense account, leaving a balance at year end.

Intangible Assets.

Amortisation were omitted from intangible assets after a reperformance of a depreciation were performed on the asset module which related to the assets register of the previous year.

Payables from exchange transactions.

Proceeds from sale of biological assets were allocated to unknown deposits and through the income statement therefore the loss were not offsetted against the proceeds.

Accounts payable included the instalment that were paid on the DBSA loan which belong to 2013 financial period and were corrected in the current financial year

Omission of creditor during the 2012 financial year. Legal services were rendered and the invoice were under dispute and not proceeds as a creditor.

Consumer and Other Debtors.

Prior year adjustment consists of the interest on government debtors that were written off as recommended by treasury the interest that were charge since 2001 to 2008. All adjustment related to consumer debtors and other receivables.

Reversal of July 2013 billing amounts of R 14,126.69 were include and therefore reverse against accumulating surplus

Provision

A provision were made in the current year against accumulating surplus for the Reitz landfill site (Refer to note 18)

Employee cost benefits

Long service benefit awards are being given to employees of the municipality. In the past there were no provision made under GRAP 25, hence this omission result in the retrospective restatement of the provision of employee benefit cost. The municipality appointed actuarial to calculate the municipalities liability as at 2012 and 2013.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

43. Prior period errors (continued)

Property, plant and equipment

Newly found items that were discovered after a asset verification was performed and are therefore accounted for in accumulating surplus.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

44. Comparative figures

Certain comparative figures have been reclassified.

As a result of the prior year restatement and correction of prior year errors the following transaction and balance has been restated and reclassified as it differ to what was present as comparatives.

The effects of the reclassification are as follows:

Statement of Financial Position

Receivables from non-exchange transactions	6,078,201	4,059,701
Property, plant and equipment	624,313,570	625,266,787
Payables from exchange transactions	20,364,854	20,159,120
Other financial liabilities	13,058,676	9,154,440
Provision	6,289,757	3,869,757

Statement of Financial Performance

Employee related cost	46,578,339	46,120,645
General expense	33,891,021	34,348,715

Receivables from non-exchange transactions.

As part of the loan from Grainfield Chicken there was a deposit paid to Eskom of R 2,018,500.

Property, plant and equipment.

Previously the land register include land which are being sold to the community and therefore qualified as Non-current assets held for sale (Refer to note 20). The difference in the Land of R 2,583,593 is therefore disclose in the current financial year under Non-current assets held for sale.

Infrastructure under Property, plant and Equipment include additions as a result of the loan agreement between Grainfield Chicken (Pty) Ltd as the current electricity network were expanded on behalf of the municipality. The addition of R 1,630,376.

Payables from exchange transactions.

Refer to note 42.

Other financial liabilities.

Refer to note 42.

Provision.

Refer to note 42.

Employee related cost.

Previous year Other and Telephone cost were incorrectly allocated to general expenses. The difference of R 457,694 are now included under Employee related cost in the current year

General expenses.

Refer to above Employee related cost.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

45. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 17, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management plans are developed and monitored to ensure councils the policies and systems are reviewed regularly to reflect changes in the municipalities operations.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality is not funded with excessive loans, but have a variety of short term investment and is always in search of optimal return of investments.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

45. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

46. Events after the reporting date

Irregularities in the write off of Consumer Debtors had occur and was only discovered by management after the financial year. The amount disclose in note 6 in this regard is only the portion of which was considered to be written off as at 30 June 2013.

Further write off after the Statement of Financial position amount to R 188,868.60.

47. Unauthorised expenditure

Opening Balance	113,406,283	91,976,261
Unauthorised expenditure	26,190,039	21,430,022
Approved or condoned by council - previous years	(44,135,955)	-
	95,460,367	113,406,283

Approved or condoned by council of unauthorised expenditure of the previous years related to expenses that were not included in the budget 2010/11. The implementation of GRAP 17, application of IAS 39 for Debt Impairment and the rehabilitation provision for Waste removal sites.

48. Fruitless and wasteful expenditure

Opening balance	198,153	137,898
Interest and penalties: charges on late payment of VAT return	-	28,070
Interest charges on outstanding invoices	129,578	32,185
Termination of contracts - Compensations paid	152,742	-
legal cost paid - bargaining cost	6,230	-
	486,703	198,153

Termination of employment contracts of Mr Underman and Mr Ramulwel by Council.

Current year interest were paid to 3 suppliers and therefore regarded as fruitless and wasteful expenditure. This is also disclose as non- compliance under note 52.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

49. Irregular expenditure

Opening balance	17,550,525	8,922,579
Add: Irregular Expenditure - current year	547,431	8,627,946
Add: Irregular Expenditure - prior year	2,111,683	-
	20,209,639	17,550,525

Analysis of expenditure awaiting condonation classification

Not submitting the minimum quotations for acquiring goods and services.	1,581,933	388,713
Goods and service not provided in terms of the amount quoted.	-	182,020
Competitive bidding process not followed.	686,612	277,560
Goods and services were procured without supply chain management regulation of three quotation between R2,000 - R 10,000.	-	24,791
Supply chain management policy on declarations of interest for quotation under R 30,000 no fully adhered to.	390,568	440,481
Supply chain management policy on declaration of interest for quotation under R 200,000 and no Tax clearance certificates submitted.	-	1,603,786
Deviations not in line with the deviation criteria in term of supply chain management regulations.	-	148,000
One instance of a supplier prohibition that is a legitimate company with a prohibited shareholder not detected.	-	377,775
Competitive bidding process not followed previous years.	-	5,184,820
	2,659,113	8,627,946

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
49. Irregular expenditure (continued)		
Details of irregular expenditure – previous years		
	Disciplinary steps taken/criminal proceedings	
Not submitting the minimum quotations for acquiring goods and services.	under investigation	388,713
Goods and service not provided in terms of the amount quoted.	under investigation	182,020
Competitive bidding process not followed.	under investigation	277,560
Goods and services were procured without supply chain management regulation of three quotation between R2,000 - R 10,000.	under investigation	24,791
Supply chain management policy on declarations of interest for quotation under R 30,000 no fully adhered to.	under investigation	440,481
Supply chain management policy on declaration of interest for quotation under R 200,000 and no Tax clearance certificates submitted.	under investigation	1,603,786
Deviations not in line with the deviation criteria in term of supply chain management regulations.	under investigation	148,000
One instance of a supplier prohibition that is a legitimate company with a prohibited shareholder not detected.	under investigation	377,775
Competitive bidding process not followed previous years.	under investigation	5,184,820
		8,627,946

The full extent of irregularities as disclosed in the above note is still in the process of being investigated by the municipality.

50. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(35,372,009)	(4,476,631)
Adjusted for:		
Fair value adjustments	(148,503)	(31,315)
Impairments recognised / reversed	43,155,573	50,593,628
Gain/(loss) on the sale of assets	(28,844)	198,500
Increases / decreases in provisions landfill sites	201,430	3,542,327
Increases / decreases in leave and bonus provisions	460,979	618,070
Increases / decreases in post employment benefit	95,000	-
Net surplus per approved budget	8,363,626	50,444,579

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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51. Additional disclosure in terms of Municipal Finance Management Act

Material losses

Electricity losses	5,084,776	2,733,207
Non-revenue water losses	479,463	9,874,227
	5,564,239	12,607,434

Electricity losses

Electricity losses were 11.44% (2012: 16.16%) consisting out of technical and non-technical losses. Technical losses of electricity are inherent to the supply of electricity via lines, conditions/status and age of electricity networks, weather conditions and loads on the system. Non-technical losses is mainly theft, vandalism and cable bringing which can largely contribute to losses.

Non-revenue water losses

In the current year, the water losses consisted of bulk water reticulation lost of 13,36% (2012: 17.31%). The percentage unaccounted for water between the treatment plant and points of connection from reservoirs of meter bulk system is mainly due to metering inefficiencies. Technical losses are constraints and infrastructure that bursts and leaks in the reticulation systems.

Audit fees

Current year subscription / fee	3,257,364	3,386,094
Amount paid - current year	(3,102,123)	(3,386,094)
	155,241	-

PAYE and UIF

Opening balance	-	320,642
Current year subscription / fee	5,108,416	4,170,252
Amount paid - current year	(5,108,416)	(4,170,252)
Amount paid - previous years	-	(320,642)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	8,687,833	6,842,428
Amount paid - current year	(8,687,833)	(6,842,428)
	-	-

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	(3,469,164)	(3,502,201)
VAT payable	21,214,072	15,036,712
	17,744,908	11,534,511

VAT output payables and VAT input receivables are shown in note 16.

All VAT returns have been submitted by the due date throughout the year.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2013:

June 30, 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Du Preez SJS	415	-	415
Henning SG	560	-	560
Malindi S	314	-	314
Mofokeng PP	467	-	467
Mokoena KA	391	-	391
Moloedi PM	314	-	314
Mosia M	8,599	10,343	18,942
Mphaka MR	314	-	314
Nakedi MT	314	-	314
Nhlapo LG	9,424	13,461	22,885
Nkomo P	477	-	477
Radebe TP	5,596	7,010	12,606
Semela MS	8,108	9,885	17,993
Tshabalala NS	624	-	624
Moshoadiba P	390	-	390
	36,307	40,699	77,006

June 30, 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Henning SG	488	-	488
Nkomo P	450	-	450
Mphaka M	336	-	336
Nhlapo G	1,073	17,087	18,160
Moloedi M	915	2,328	3,243
Radebe T	1,113	7,000	8,113
Mofokeng P	371	-	371
Nakedi M	305	-	305
Mokoena K	1,136	6,333	7,469
Mosia M	914	10,378	11,292
Tshabalala N	2,151	43,794	45,945
Blignaut M	3,621	-	3,621
Moshoadiba P	1,290	8,772	10,062
Semela M	1,039	10,461	11,500
Malindi MS	914	572	1,486
	16,116	106,725	122,841

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager

See incidents under Irregular expenditure.

52. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	12,315,313	13,058,676
	12,315,313	13,058,676
Cash set aside for the repayment of long-term liabilities	(3,495,199)	(3,495,199)
	8,820,114	9,563,477

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

53. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

54. Non-Compliance in term of MFMA

Payments not made within 30 days

Payments were identified as not being made within 30 days of receiving the relevant invoice or statement.

The above results in non-compliance with section 65(2)(e) of the MFMA (No.56 of 2003).

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information

2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	13,636,000	2,540,000	16,176,000	-		16,176,000	16,194,067		18,067	100 %	119 %
Service charges	89,532,000	(4,825,000)	84,707,000	-		84,707,000	76,524,578		(8,182,422)	90 %	85 %
Investment revenue	1,946,000	(595,000)	1,351,000	-		1,351,000	1,501,123		150,123	111 %	77 %
Transfers recognised - operational	81,223,000	-	81,223,000	-		81,223,000	81,472,817		249,817	100 %	100 %
Other own revenue	17,296,000	14,005,000	31,301,000	-		31,301,000	20,726,262		(10,574,738)	66 %	120 %
Total revenue (excluding capital transfers and contributions)	203,633,000	11,125,000	214,758,000	-		214,758,000	196,418,847		(18,339,153)	91 %	96 %
Employee costs	(52,629,000)	-	(52,629,000)	-	-	(52,629,000)	(56,390,155)	-	(3,761,155)	107 %	107 %
Remuneration of councillors	(5,080,000)	-	(5,080,000)	-	-	(5,080,000)	(5,547,013)	-	(467,013)	109 %	109 %
Debt impairment	(10,000,000)	(30,000,000)	(40,000,000)			(40,000,000)	(44,402,410)	-	(4,402,410)	111 %	444 %
Depreciation and asset impairment	(61,168,000)	(2,000,000)	(63,168,000)			(63,168,000)	(64,907,551)	-	(1,739,551)	103 %	106 %
Finance charges	(1,080,000)	-	(1,080,000)	-	-	(1,080,000)	(1,990,427)	-	(910,427)	184 %	184 %
Bulk purchases	(23,037,000)	(10,008,000)	(33,045,000)	-	-	(33,045,000)	(28,834,798)	-	4,210,202	87 %	125 %
Other expenditure	(39,634,000)	(7,729,000)	(47,363,000)	-	-	(47,363,000)	(65,464,693)	-	(18,101,693)	138 %	165 %
Total expenditure	(192,628,000)	(49,737,000)	(242,365,000)	-	-	(242,365,000)	(267,537,047)	-	(25,172,047)	110 %	139 %

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information (continued)

Surplus/(Deficit)	11,005,000	(38,612,000)	(27,607,000)	-		(27,607,000)	(71,118,200)		(43,511,200)	258 %	(646)%
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Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	34,018,000	8,000,000	42,018,000	-		42,018,000	36,764,183		(5,253,817)	87 %	108 %
Surplus (Deficit) after capital transfers and contributions	45,023,000	(30,612,000)	14,411,000	-		14,411,000	(34,354,017)		(48,765,017)	(238)%	(76)%
Surplus/(Deficit) for the year	45,023,000	(30,612,000)	14,411,000	-		14,411,000	(34,354,017)		(48,765,017)	(238)%	(76)%

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	57,408,000	(5,360,000)	52,048,000	-		52,048,000	52,048,000		-	100 %	91 %
Sources of capital funds											
Transfers recognised - capital	45,545,000	(3,527,000)	42,018,000	-		42,018,000	-		(42,018,000)	- %	- %
Internally generated funds	11,863,000	(1,833,000)	10,030,000	-		10,030,000	-		(10,030,000)	- %	- %
Total sources of capital funds	57,408,000	(5,360,000)	52,048,000	-		52,048,000	-		(52,048,000)	- %	- %

Nketoana Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	54,247,000	(4,527,000)	49,720,000	-		49,720,000	29,494,109		(20,225,891)	59 %	54 %
Net cash from (used) investing	4,718,000	-	4,718,000	-		4,718,000	(40,508,434)		(45,226,434)	(859)%	(859)%
Net cash from (used) financing	(597,000)	-	(597,000)	-		(597,000)	(743,363)		(146,363)	125 %	125 %
Net increase/(decrease) in cash and cash equivalents	58,368,000	(4,527,000)	53,841,000	-		53,841,000	(11,757,688)		(65,598,688)	(22)%	(20)%
Cash and cash equivalents at the beginning of the year	(14,163,000)	-	(14,163,000)	-		(14,163,000)	17,128,369		31,291,369	(121)%	(121)%
Cash and cash equivalents at year end	44,205,000	(4,527,000)	39,678,000	-		39,678,000	5,370,681		34,307,319	14 %	12 %

Nketoana Local Municipality

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at June 30, 2012	Received during the period	Redeemed written off during the period	Balance at June 30, 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA @ 10.35%	101390/1	8,214,557	-	335,870	7,878,687	-	-
DBSA @ 9.09%	101390/2	1,370,209	-	61,157	1,309,052	-	-
		9,584,766	-	397,027	9,187,739	-	-
Total external loans		9,584,766	-	397,027	9,187,739	-	-

June 2013

Analysis of property, plant and equipment as at 30 June 2013

Land and buildings

Land (Separate for AFS purposes)	156,514,983	-	-	(2,583,593)	-	-	153,931,390	-	-	-	-	-	-	153,931,390
Landfill Sites (Separate for AFS purposes)	6,389,365	1,387,365	-	-	-	-	7,776,730	-	-	-	(1,253,457)	-	(1,253,457)	6,523,273
Buildings (Separate for AFS purposes)	81,965,287	167,232	-	-	(3,055,142)	-	79,077,377	-	192,428	(6,604,771)	(36,370,349)	-	(42,782,692)	36,294,685
	244,869,635	1,554,597	-	(2,583,593)	(3,055,142)	-	240,785,497	-	192,428	(6,604,771)	(37,623,806)	-	(44,036,149)	196,749,348

Infrastructure

Roads, Pavements & Bridges	251,735,472	12,505,257	-	-	(41,259,430)	-	222,981,299	-	7,500	(41,830,683)	-	-	(41,823,183)	181,158,116
Water purification	72,604,154	802,208	-	-	(4,931,408)	-	68,474,954	-	12,999,283	(5,139,058)	-	-	7,860,225	76,335,179
Sewerage purification	11,960,653	8,553,271	-	-	(7,486,965)	-	73,026,959	-	6,091,980	(7,561,185)	-	-	(1,469,205)	71,557,754
Electricity mains	26,073,136	-	-	-	(1,906,239)	-	24,166,897	-	6,716,615	(2,169,127)	-	-	4,547,488	28,714,385
Work in progress	22,187,999	9,528,749	-	(19,996,388)	-	-	11,720,350	-	22,620,558	-	1,253,457	-	23,874,015	35,594,365
	444,561,404	31,389,485	-	(19,996,388)	(55,584,042)	-	400,370,459	-	48,435,936	(56,700,053)	1,253,457	-	(7,010,660)	393,359,799

Community Assets

Sportsfields and stadium	1,472,506	-	-	-	(196,243)	-	1,276,263	-	-	-	(245,310)	2,678,062	2,432,752	3,709,015
	1,472,506	-	-	-	(196,243)	-	1,276,263	-	-	-	(245,310)	2,678,062	2,432,752	3,709,015

June 2013

Cost/Revaluation

Other assets

Other	8,608,871	2,622,188	(17,130)	-	(2,316,825)	-	8,897,104	-	1,260,708	(2,319,347)	-	-	(1,058,639)	7,838,465
	8,608,871	2,622,188	(17,130)	-	(2,316,825)	-	8,897,104	-	1,260,708	(2,319,347)	-	-	(1,058,639)	7,838,465

Total property plant and equipment

Land and buildings	244,869,635	1,554,597	-	(2,583,593)	(3,055,142)	-	240,785,497	-	192,428	(6,604,771)	(37,623,806)	-	(44,036,149)	196,749,348
Infrastructure	444,561,404	31,389,485	-	(19,996,388)	(55,584,042)	-	400,370,459	-	48,435,936	(56,700,053)	1,253,457	-	(7,010,660)	393,359,799
Community Assets	1,472,506	-	-	-	(196,243)	-	1,276,263	-	-	-	(245,310)	2,678,062	2,432,752	3,709,015
Other assets	8,608,871	2,622,188	(17,130)	-	(2,316,825)	-	8,897,104	-	1,260,708	(2,319,347)	-	-	(1,058,639)	7,838,465
	699,512,416	35,566,270	(17,130)	(22,579,981)	(61,152,252)	-	651,329,323	-	49,889,072	(65,624,171)	(36,615,659)	2,678,062	(49,672,696)	601,656,627

Agricultural/Biological assets

Agricultural	11,200	-	-	-	-	-	11,200	-	-	-	-	300	300	11,500
	11,200	-	-	-	-	-	11,200	-	-	-	-	300	300	11,500

Intangible assets

Computers - software & programming	202	143,521	-	(24,521)	-	-	119,202	-	755,760	(156,997)	-	-	598,763	717,965
	202	143,521	-	(24,521)	-	-	119,202	-	755,760	(156,997)	-	-	598,763	717,965

Investment properties

Investment property	3,076,742	-	-	-	-	-	3,076,742	-	-	(118,257)	-	-	(118,257)	2,958,485
	3,076,742	-	-	-	-	-	3,076,742	-	-	(118,257)	-	-	(118,257)	2,958,485

Total

Land and buildings	244,869,635	1,554,597	-	(2,583,593)	(3,055,142)	-	240,785,497	-	192,428	(6,604,771)	(37,623,806)	-	(44,036,149)	196,749,348
Infrastructure	444,561,404	31,389,485	-	(19,996,388)	(55,584,042)	-	400,370,459	-	48,435,936	(56,700,053)	1,253,457	-	(7,010,660)	393,359,799
Community Assets	1,472,506	-	-	-	(196,243)	-	1,276,263	-	-	-	(245,310)	2,678,062	2,432,752	3,709,015
Other assets	8,608,871	2,622,188	(17,130)	-	(2,316,825)	-	8,897,104	-	1,260,708	(2,319,347)	-	-	(1,058,639)	7,838,465
Agricultural/Biological assets	11,200	-	-	-	-	-	11,200	-	-	-	-	300	300	11,500
Intangible assets	202	143,521	-	(24,521)	-	-	119,202	-	755,760	(156,997)	-	-	598,763	717,965
Investment properties	3,076,742	-	-	-	-	-	3,076,742	-	-	(118,257)	-	-	(118,257)	2,958,485
	702,600,560	35,709,791	(17,130)	(22,604,502)	(61,152,252)	-	654,536,467	-	50,644,832	(65,899,425)	(36,615,659)	2,678,362	(49,191,890)	605,344,577

June 2013

Nketoana Local Municipality

Appendix D

June 2013

Segmental Statement of Financial Performance for the year ended

Prior Year	Current Year
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Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
217,289,401	221,766,032	(4,476,631)	Total	233,183,030	268,555,039	(35,372,009)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal. Rand	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	16,194,067	16,176,000	18,067	0.1	
Service charges	76,524,578	84,707,000	(8,182,422)	(9.7)	
Rental of facilities and equipment	415,297	702,000	(286,703)	(40.8)	budgeted looking at the previous rental income performance
Interest received (trading)	16,416,211	16,373,000	43,211	0.3	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Fines	115,585	101,721	13,864	13.6	
Other income	1,605,841	14,125,000	(12,519,159)	(88.6)	The municipality over budgeted, and were expecting more project to be receive as public contributions
Government grants	118,237,000	81,223,000	37,014,000	45.6	Incomerecognised after meeting the condition and MIGasnd RBIG
Interest received - investment	1,501,123	1,351,000	150,123	11.1	
Public contributions and donations	2,043,939	-	2,043,939	-	
	233,053,641	214,758,721	18,294,920	8.5	
Expenses					
Personnel	(56,390,155)	(52,629,000)	(3,761,155)	7.1	
Remuneration of councillors	(5,547,013)	(5,080,000)	(467,013)	9.2	
Depreciation	(65,925,543)	(63,168,000)	(2,757,543)	4.4	
Amortisation	-	-	-	-	
Impairments	(333,593)	-	(333,593)	-	
Finance costs	(1,990,427)	(1,080,000)	(910,427)	84.3	Finance cost is interest on loan and the discounting of of provision of landfillsite and post employment benefits
Debt impairment	(44,402,410)	(40,000,000)	(4,402,410)	11.0	Actual write off of indingent contibuted to the variance. What was budgeted for was close the expection on the debtors book. This show a improvement in the recovery of debt.
Repairs and maintenance - General	(8,573,265)	(9,633,000)	1,059,735	(11.0)	The variance is due to the the Repairs and Maintanace on roads, gravel roads, water networks and electricity networks
Repairs and maintenance - General	(246,552)	-	(246,552)	-	

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Bulk purchases	(28,834,798)	(33,045,000)	4,210,202	(12.7) This is due to the replacement of meters that was installed in Ntha, we decreased our expensidure and so as our electricity losses
Contracted Services	-	(10,627,000)	10,627,000	(100.0) Expenditure is include under general expenses.
Grants and subsidies paid	-	-	-	-
General Expenses	(56,311,284)	(27,103,000)	(29,208,284)	107.8 This is due to the following expenditures,electricity charges on municipal buildings, professional fees, legal fees, and operating lease of fleet and equipment.
	(268,555,040)	(242,365,000)	(26,190,040)	10.8
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	102,341	-	102,341	-
Fair value adjustments	27,048	-	27,048	-
	129,389	-	129,389	-
Net surplus/ (deficit) for the year	(35,372,010)	(27,606,279)	(7,765,731)	28.1

Nketoana Local Municipality

Appendix E

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2013

Name of Grants	Quarterly Receipts			Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Jul	Jan	Apr	Jul	Oct	Jan	Apr			
RBIG	-	1,570,941	1,265,826	-	-	1,361,404	1,475,363	-		Yes
MSIG	800,000	-	-	411,796	335,135	204,183	-	-	an over expenditure on the grant, will be moved to own funds of the municipality	Yes
MFMG	1,500,000	-	-	77,859	368,879	1,011,076	372,981	-	This shows as an over expenditure on the grant, but there was an opening balance of R511491	Yes
MIG	16,189,000	15,474,000	2,355,000	3,232,814	4,922,491	7,589,552	18,273,143	-		Yes
EQUITABLE SHARE	32,472,000	25,902,000	19,483,000	-	-	-	-	76,000	The letter from Treasury was received indicating the R76000 that was withheld was in relation to the unspent grant of MFMG for previous financial years	Yes
	50,961,000	42,946,941	23,103,826	3,722,469	5,626,505	10,166,215	20,121,487	76,000		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Nketoana Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended June 30, 2013

	2013/2012								2012/2011						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	110,653,000	14,002,000	124,655,000	-		124,655,000	153,243,369		28,588,369	123 %	138 %				117,126,534
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Budget and treasury office	96,455,000	27,734,000	124,189,000	-		124,189,000	152,849,254		28,660,254	123 %	158 %				117,126,534
Corporate services	14,198,000	(13,732,000)	466,000	-		466,000	394,115		(71,885)	85 %	3 %				-
Community and public safety	3,448,000	(2,912,000)	536,000	-		536,000	2,591,700		2,055,700	484 %	75 %				15,225,518
Community and social services	3,448,000	(3,013,000)	435,000	-		435,000	2,591,700		2,156,700	596 %	75 %				15,029,668
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	-	101,000	101,000	-		101,000	-		(101,000)	- %	DIV/0 %				195,850
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	-	-	-	-		-	717		717	DIV/0 %	DIV/0 %				3,526,673
Planning and development	-	-	-	-		-	717		717	DIV/0 %	DIV/0 %				555,548
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				2,971,125
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	89,532,000	(231,000)	89,301,000	-		89,301,000	77,217,855		(12,083,145)	86 %	86 %				81,410,676
Electricity	30,548,000	(2,096,000)	28,452,000	-		28,452,000	30,170,899		1,718,899	106 %	99 %				28,050,580
Water	30,278,000	821,000	31,099,000	-		31,099,000	24,268,137		(6,830,863)	78 %	80 %				33,601,718
Waste water management	13,149,000	1,306,000	14,455,000	-		14,455,000	11,292,399		(3,162,601)	78 %	86 %				19,758,378
Waste management	15,557,000	(262,000)	15,295,000	-		15,295,000	11,486,420		(3,808,580)	75 %	74 %				-
Other	-	267,000	267,000	-		267,000	-		(267,000)	- %	DIV/0 %				-
Other	-	267,000	267,000	-		267,000	-		(267,000)	- %	DIV/0 %				-
Total Revenue - Standard	203,633,000	11,126,000	214,759,000	-		214,759,000	233,053,641		18,294,641	109 %	114 %				217,289,401

Nketoana Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended June 30, 2013

	2013/2012								2012/2011						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	74,127,000	59,187,000	133,314,000	-	-	133,314,000	86,127,104	(47,186,896)	(47,186,896)	65 %	116 %	1,077,651	-	(1,077,651)	46,465,850
Executive and council	15,407,000	901,000	16,308,000	-	-	16,308,000	18,125,578	1,817,578	1,817,578	111 %	118 %	433,028	-	(433,028)	16,281,708
Budget and treasury office	35,474,000	68,453,000	103,927,000	-	-	103,927,000	47,190,509	(56,736,491)	(56,736,491)	45 %	133 %	342,675	-	(342,675)	30,184,142
Corporate services	23,246,000	(10,167,000)	13,079,000	-	-	13,079,000	20,811,017	7,732,017	7,732,017	159 %	90 %	301,948	-	(301,948)	-
Community and public safety	6,810,000	5,641,000	12,451,000	-	-	12,451,000	18,317,319	5,866,319	5,866,319	147 %	269 %	192,527	-	(192,527)	33,939,565
Community and social services	3,372,000	6,350,000	9,722,000	-	-	9,722,000	13,417,830	3,695,830	3,695,830	138 %	398 %	124,791	-	(124,791)	30,959,400
Sport and recreation	-	-	-	-	-	-	1,695,332	1,695,332	1,695,332	DIV/0 %	DIV/0 %	38,132	-	(38,132)	267,634
Public safety	3,438,000	(709,000)	2,729,000	-	-	2,729,000	3,204,157	475,157	475,157	117 %	93 %	29,604	-	(29,604)	2,712,531
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	41,867,000	(30,511,000)	11,356,000	-	-	11,356,000	57,848,266	46,492,266	46,492,266	509 %	138 %	151,541	-	(151,541)	47,843,979
Planning and development	12,567,000	(7,137,000)	5,430,000	-	-	5,430,000	4,868,173	(561,827)	(561,827)	90 %	39 %	105,325	-	(105,325)	5,680
Road transport	29,300,000	(23,374,000)	5,926,000	-	-	5,926,000	52,980,093	47,054,093	47,054,093	894 %	181 %	46,216	-	(46,216)	47,838,299
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	69,825,000	15,419,000	85,244,000	-	-	85,244,000	106,132,961	20,888,961	20,888,961	125 %	152 %	339,906	-	(339,906)	93,516,638
Electricity	29,898,000	13,504,000	43,402,000	-	-	43,402,000	42,841,005	(560,995)	(560,995)	99 %	143 %	75,274	-	(75,274)	30,528,617
Water	17,321,000	2,196,000	19,517,000	-	-	19,517,000	27,674,566	8,157,566	8,157,566	142 %	160 %	89,468	-	(89,468)	21,658,808
Waste water management	14,435,000	(2,611,000)	11,824,000	-	-	11,824,000	22,691,682	10,867,682	10,867,682	192 %	157 %	123,131	-	(123,131)	23,479,158
Waste management	8,171,000	2,330,000	10,501,000	-	-	10,501,000	12,925,708	2,424,708	2,424,708	123 %	158 %	52,033	-	(52,033)	17,850,055
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	192,629,000	49,736,000	242,365,000	-	-	242,365,000	268,425,650	26,060,650	26,060,650	111 %	139 %	1,761,625	-	(1,761,625)	221,766,032
Surplus/(Deficit) for the year	11,004,000	(38,610,000)	(27,606,000)	-		(27,606,000)	(35,372,009)		(7,766,009)	128 %	(321)%				(4,476,631)

Nketoana Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended June 30, 2013

2013/2012										2012/2011					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Revenue by Vote															
Executive and Council - Vote1	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-	
Finance and Admin - Vote2	110,653,000	14,002,000	124,655,000	-	124,655,000	153,243,369		28,588,369	123 %	138 %				117,126,534	
Waste Management - Vote3	15,557,000	(262,000)	15,295,000	-	15,295,000	11,486,420		(3,808,580)	75 %	74 %				19,758,378	
Community Social and Services - Vote4	3,448,000	(3,080,000)	368,000	-	368,000	2,591,700		2,223,700	704 %	75 %				15,225,518	
Economic and Environment - Vote5	-	435,000	435,000	-	435,000	717		(434,283)	- %	DIV/0 %				3,526,673	
Water - Vote6	30,278,000	821,000	31,099,000	-	31,099,000	24,268,137		(6,830,863)	78 %	80 %				33,601,718	
Electricity - Vote7	30,548,000	(2,096,000)	28,452,000	-	28,452,000	30,170,899		1,718,899	106 %	99 %				28,050,580	
Sewerage - Vote8	13,149,000	1,306,000	14,455,000	-	14,455,000	11,292,399		(3,162,601)	78 %	86 %				-	
Example 9 - Vote9	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-	
Example 10 - Vote10	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-	
Example 11 - Vote11	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-	
Example 12 - Vote12	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-	
Example 13 - Vote13	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-	
Example 14 - Vote14	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-	
Example 15 - Vote15	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-	
Total Revenue by Vote	203,633,000	11,126,000	214,759,000	-	214,759,000	233,053,641		18,294,641	109 %	114 %				217,289,401	
Expenditure by Vote to be appropriated															
Executive and Council - Vote1	15,407,000	902,000	16,309,000	-	-	16,309,000	18,125,578	-	1,816,578	111 %	118 %	433,028	-	(433,028)	16,281,708
Finance and Admin - Vote2	58,720,000	58,286,000	117,006,000	-	-	117,006,000	68,001,526	-	(49,004,474)	58 %	116 %	644,623	-	(644,623)	30,184,142
Waste Management - Vote3	8,171,000	2,330,000	10,501,000	-	-	10,501,000	12,925,708	-	2,424,708	123 %	158 %	52,033	-	(52,033)	17,850,055
Community social services -Vote 4	6,160,000	1,423,000	7,583,000	-	-	7,583,000	18,317,319	-	10,734,319	242 %	297 %	192,527	-	(192,527)	33,939,565
Economic and Environment - Vote5	42,517,000	(26,293,000)	16,224,000	-	-	16,224,000	56,830,274	-	40,606,274	350 %	134 %	151,541	-	(151,541)	47,843,979
Water - Vote6	17,321,000	2,196,000	19,517,000	-	-	19,517,000	27,674,566	-	8,157,566	142 %	160 %	89,468	-	(89,468)	21,658,808
Electricity - Vote7	29,898,000	13,504,000	43,402,000	-	-	43,402,000	42,841,005	-	(560,995)	99 %	143 %	75,273	-	(75,273)	30,528,617
Sewerage - Vote8	14,435,000	(2,611,000)	11,824,000	-	-	11,824,000	23,709,674	-	11,885,674	201 %	164 %	123,131	-	(123,131)	23,479,158
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	192,629,000	49,737,000	242,366,000	-	-	242,366,000	268,425,650	-	26,059,650	111 %	139 %	1,761,624	-	(1,761,624)	221,766,032
Surplus/(Deficit) for the year	11,004,000	(38,611,000)	(27,607,000)	-		(27,607,000)	(35,372,009)		(7,765,009)	128 %	(321)%				(4,476,631)

Nketoana Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2013

	2013/2012							2012/2011							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	13,636,000	2,540,000	16,176,000	-		16,176,000	16,194,067		18,067	100 %	119 %				11,008,056
.	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	30,548,000	(6,690,000)	23,858,000	-		23,858,000	29,513,657		5,655,657	124 %	97 %				25,656,300
Service charges - water revenue	30,278,000	821,000	31,099,000	-		31,099,000	24,247,485		(6,851,515)	78 %	80 %				26,188,237
Service charges - sanitation revenue	13,149,000	1,306,000	14,455,000	-		14,455,000	11,279,735		(3,175,265)	78 %	86 %				11,143,881
Service charges - refuse revenue	15,557,000	(262,000)	15,295,000	-		15,295,000	11,483,701		(3,811,299)	75 %	74 %				11,605,093
Revories on bad debts	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				8,353,558
Rental of facilities and equipment	557,000	145,000	702,000	-		702,000	415,297		(286,703)	59 %	75 %				323,901
Interest earned - external investments	1,946,000	(595,000)	1,351,000	-		1,351,000	1,501,123		150,123	111 %	77 %				962,951
Interest earned - outstanding debtors	13,211,000	3,162,000	16,373,000	-		16,373,000	16,416,211		43,211	100 %	124 %				15,529,229
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				7,654
Fines	215,000	(114,000)	101,000	-		101,000	115,585		14,585	114 %	54 %				195,850
Public contributions	-	-	-	-		-	2,043,939		2,043,939	DIV/0 %	DIV/0 %				10,441,162
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	81,223,000	-	81,223,000	-		81,223,000	118,237,000		37,014,000	146 %	146 %				93,689,626
Other revenue	3,313,000	10,812,000	14,125,000	-		14,125,000	1,605,841		(12,519,159)	11 %	48 %				2,034,288
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	203,633,000	11,125,000	214,758,000	-		214,758,000	233,053,641		18,295,641	109 %	114 %				217,139,786

Nketoana Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2013

2013/2012										2012/2011					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Expenditure By Type															
Employee related costs	52,629,000	-	52,629,000	-	-	52,629,000	56,390,155	3,761,155	3,761,155	107 %	107 %	1,376,640	-	(1,376,640)	46,120,645
Remuneration of councillors	5,080,000	-	5,080,000	-	-	5,080,000	5,547,013	467,013	467,013	109 %	109 %	68,985	-	(68,985)	4,826,985
Debt impairment	10,000,000	30,000,000	40,000,000		-	40,000,000	44,736,003	4,736,003	4,736,003	112 %	447 %	10,555,574	-	(10,555,574)	43,155,573
Depreciation & asset impairment	61,168,000	2,000,000	63,168,000		-	63,168,000	64,907,551	1,739,551	1,739,551	103 %	106 %	1,006,846	-	(1,006,846)	63,963,155
Finance charges	1,080,000	-	1,080,000	-	-	1,080,000	1,990,427	910,427	910,427	184 %	184 %	528,917	-	(528,917)	1,418,917
Bulk purchases	23,037,000	10,008,000	33,045,000	-	-	33,045,000	28,834,798	(4,210,202)	(4,210,202)	87 %	125 %	(6,784,796)	-	6,784,796	17,391,204
Other materials	9,633,000	-	9,633,000	-	-	9,633,000	8,799,009	(833,991)	(833,991)	91 %	91 %	1,380,882	-	(1,380,882)	10,510,882
Contracted services	9,227,000	1,400,000	10,627,000	-	-	10,627,000	5,135,478	(5,491,522)	(5,491,522)	48 %	56 %	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	20,774,000	6,329,000	27,103,000	-	-	27,103,000	51,196,613	24,093,613	24,093,613	189 %	246 %	13,296,974	-	(13,296,974)	34,348,715
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	192,628,000	49,737,000	242,365,000	-	-	242,365,000	267,537,047	25,172,047	25,172,047	110 %	139 %	21,430,022	-	(21,430,022)	221,736,076
Surplus/(Deficit)	11,005,000	(38,612,000)	(27,607,000)	-		(27,607,000)	(34,483,406)	(25,172,047)	(6,876,406)	125 %	(313)%	(21,430,022)		21,430,022	(4,596,290)
Transfers recognised - capital	34,018,000	8,000,000	42,018,000	-		42,018,000	-		(42,018,000)	- %	- %				-
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	45,023,000	(30,612,000)	14,411,000	-		14,411,000	(34,483,406)		(48,894,406)	(239)%	(77)%				(4,596,290)
Gains on disposal of assets and liabilities	-	-	-	-		-	102,341		102,341	DIV/0 %	DIV/0 %				(29,956)
.	45,023,000	(30,612,000)	14,411,000	-		14,411,000	(34,381,065)		(48,792,065)	(239)%	(76)%				(4,626,246)
Fair value adjustment	-	-	-	-		-	27,048		27,048	DIV/0 %	DIV/0 %				149,615
Surplus/(Deficit) attributable to municipality	45,023,000	(30,612,000)	14,411,000	-		14,411,000	(34,354,017)		(48,765,017)	(238)%	(76)%				(4,476,631)
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	45,023,000	(30,612,000)	14,411,000	-		14,411,000	(34,354,017)		(48,765,017)	(238)%	(76)%				(4,476,631)

Nketoana Local Municipality

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended June 30, 2013

	2013/2012									2012/2011					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Executive and Council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Finance and Admin	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community social services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and Environment services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste Water Management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Single-year expenditure															
Executive and Council - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	151,514
Finance and Admin - Vote2	900,000	(250,000)	650,000	-	-	650,000	782,465	-	132,465	120 %	87 %	-	-	-	1,481,064
Community social services - Vote3	-	3,783,000	3,783,000	-	-	3,783,000	1,855,896	-	(1,927,104)	49 %	DIV/0 %	-	-	-	193,597
Waste Management - Vote4	6,037,000	1,769,000	7,806,000	-	-	7,806,000	1,846,254	-	(5,959,746)	24 %	31 %	-	-	-	7,987,397
Economic and Environment Services - Vote5	6,680,000	2,604,000	9,284,000	-	-	9,284,000	16,435,107	-	7,151,107	177 %	246 %	-	-	-	4,316,623
Water - Vote6	28,047,000	(5,621,000)	22,426,000	-	-	22,426,000	9,533,037	-	(12,892,963)	43 %	34 %	-	-	-	9,404,924
Electricity - Vote7	3,550,000	1,350,000	4,900,000	-	-	4,900,000	8,874,542	-	3,974,542	181 %	250 %	-	-	-	2,361,955
Waste Water Management - Vote8	12,194,000	(8,994,000)	3,200,000	-	-	3,200,000	2,730,438	-	(469,562)	85 %	22 %	-	-	-	8,528,739
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	57,408,000	(5,359,000)	52,049,000	-	-	52,049,000	42,057,739	-	(9,991,261)	81 %	73 %	-	-	-	-
Total Capital Expenditure - Vote	57,408,000	(5,359,000)	52,049,000	-	-	52,049,000	42,057,739	-	(9,991,261)	81 %	73 %	-	-	-	-

Nketoana Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended June 30, 2013

	2013/2012									2012/2011					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	900,000	(250,000)	650,000	-	-	650,000	782,465	-	132,465	120 %	87 %	-	-	-	1,632,578
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	151,514
Budget and treasury office	650,000	-	650,000	-	-	650,000	477,829	-	(172,171)	74 %	74 %	-	-	-	1,048,963
Corporate services	250,000	(250,000)	-	-	-	-	304,636	-	304,636	DIV/0 %	122 %	-	-	-	432,101
Community and public safety	-	3,783,000	3,783,000	-	-	3,783,000	1,855,896	-	(1,927,104)	49 %	DIV/0 %	-	-	-	193,597
Community and social services	-	-	-	-	-	-	217,350	-	217,350	DIV/0 %	DIV/0 %	-	-	-	193,597
Sport and recreation	-	3,783,000	3,783,000	-	-	3,783,000	1,638,546	-	(2,144,454)	43 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	6,680,000	2,603,000	9,283,000	-	-	9,283,000	16,435,107	-	7,152,107	177 %	246 %	-	-	-	4,316,623
Planning and development	-	-	-	-	-	-	86,020	-	86,020	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	6,680,000	2,603,000	9,283,000	-	-	9,283,000	16,349,087	-	7,066,087	176 %	245 %	-	-	-	4,316,623
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	49,828,000	(11,496,000)	38,332,000	-	-	38,332,000	22,984,271	-	(15,347,729)	60 %	46 %	-	-	-	28,283,015
Electricity	3,550,000	1,350,000	4,900,000	-	-	4,900,000	8,874,542	-	3,974,542	181 %	250 %	-	-	-	2,361,955
Water	28,047,000	(5,621,000)	22,426,000	-	-	22,426,000	9,533,037	-	(12,892,963)	43 %	34 %	-	-	-	9,404,924
Waste water management	12,194,000	(8,994,000)	3,200,000	-	-	3,200,000	2,730,438	-	(469,562)	85 %	22 %	-	-	-	8,528,739
Waste management	6,037,000	1,769,000	7,806,000	-	-	7,806,000	1,846,254	-	(5,959,746)	24 %	31 %	-	-	-	7,987,397
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	57,408,000	(5,360,000)	52,048,000	-	-	52,048,000	42,057,739	-	(9,990,261)	81 %	73 %	-	-	-	34,425,813
Funded by:															
National Government	45,545,000	(3,527,000)	42,018,000	-		42,018,000	36,764,183		(5,253,817)	87 %	81 %				22,743,323
Provincial Government	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
District Municipality	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	45,545,000	(3,527,000)	42,018,000	-		42,018,000	36,764,183		(5,253,817)	87 %	81 %				22,743,323
Public contributions & donations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Borrowing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Internally generated funds	11,863,000	(1,833,000)	10,030,000	-		10,030,000	5,293,556		(4,736,444)	53 %	45 %				11,682,490
Total Capital Funding	57,408,000	(5,360,000)	52,048,000	-		52,048,000	42,057,739		(9,990,261)	81 %	73 %				34,425,813

Nketoana Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended June 30, 2013

	2013/2012						2012		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	103,940,000	-	103,940,000	103,940,000	55,712,321	(48,227,679)	54 %	54 %	47,060,684
Government - operating	81,233,000	-	81,233,000	81,233,000	81,288,442	55,442	100 %	100 %	70,946,303
Government - capital	46,545,000	(4,527,000)	42,018,000	42,018,000	36,764,183	(5,253,817)	87 %	79 %	22,743,323
Interest	15,157,000	-	15,157,000	15,157,000	1,501,123	(13,655,877)	10 %	10 %	962,951
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	(191,548,000)	-	(191,548,000)	(191,548,000)	(145,102,108)	46,445,892	76 %	76 %	(109,576,006)
Finance charges	(1,080,000)	-	(1,080,000)	(1,080,000)	(945,498)	134,502	88 %	88 %	(986,333)
Transfers and Grants	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	54,247,000	(4,527,000)	49,720,000	49,720,000	29,218,463	(20,501,537)	59 %	54 %	31,150,922
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	352,907	352,907	DIV/0 %	DIV/0 %	27,500
Decrease (Increase) in non-current debtors	5,048,000	-	5,048,000	5,048,000	-	(5,048,000)	- %	- %	-
Decrease (increase) other non-current receivables	(178,000)	-	(178,000)	(178,000)	-	178,000	- %	- %	-
Decrease (increase) in non-current investments	(152,000)	-	(152,000)	(152,000)	(23,545)	128,455	15 %	15 %	(27,365)
Payments									
Capital assets	-	-	-	-	(40,837,796)	(40,837,796)	DIV/0 %	DIV/0 %	(23,985,761)
Net cash flow from/used investing activities	4,718,000	-	4,718,000	4,718,000	(40,508,434)	(45,226,434)	(859)%	(859)%	(23,985,626)
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	(253,000)	-	(253,000)	(253,000)	-	253,000	- %	- %	-
Payments									
Repayment of borrowing	(344,000)	-	(344,000)	(344,000)	(743,363)	(399,363)	216 %	216 %	(194,527)
Net cash flow from/used financing activities	(597,000)	-	(597,000)	(597,000)	(743,363)	(146,363)	125 %	125 %	(194,527)
Net increase/(decrease) in cash held	58,368,000	(4,527,000)	53,841,000	53,841,000	(12,033,334)	(65,874,334)	(22)%	(21)%	6,970,769
Cash/cash equivalents at the year begin:									10,157,600
Cash/cash equivalents at the year end:	58,368,000	(4,527,000)	53,841,000	53,841,000	(12,033,334)	(65,874,334)	(22)%	(21)%	